

§ 18702.1. Materiality Standard: Financial Interest in Business Entities.

(a) The reasonably foreseeable financial effect of a governmental decision on a business entity in which an official has a financial interest identified in Section 87103(a) or (d) is material whenever the business entity:

(1) Initiates the proceeding in which the governmental decision will be made by filing an application, claim, appeal, or request for other government action concerning the business entity;

(2) Offers to make a sale of a service or a product to the official's agency;

(3) Bids on or enters into a written contract with the official's agency;

(4) Is the named manufacturer in a purchase order of any product purchased by the official's agency or the sales provider of any products to the official's agency that aggregates to \$1,000 or more in any 12-month period;

(5) Applies for a permit, license, grant, tax credit, exception, variance, or other entitlement that the official's agency is authorized to issue;

(6) Is the subject of any inspection, action, or proceeding subject to the regulatory authority of the official's agency; or

(7) Is otherwise subject to an action taken by the official's agency, the effect of which is directed solely at the business entity in which the official has an interest.

(8) Exception. Notwithstanding the above provisions, any financial effect on a business entity that occurs as a result of a travel payment made for food, lodging, transportation, or fuel, authorized by an agency in the course of carrying out an agency function, to a business entity that provides such services to the general public shall be treated under subdivision (b).

(b) For a governmental decision not identified in subdivision (a), the financial effect is material if a prudent person with sufficient information would find it is reasonably foreseeable that the decision's financial effect would contribute to a change in the price of the business entity's publicly traded stock, or the value of a privately-held business entity. Examples of decisions that may be applicable include those that:

(1) Authorize, prohibit, regulate or otherwise establish conditions for an activity in which the business entity is engaged;

(2) Increase or decrease the amount of competition in the field in which the business entity is engaged;

(3) Increase or decrease the need for the products or services that the business entity supplies;

(4) Make improvements in the surrounding neighborhood such as redevelopment projects, traffic/road improvements, or parking changes that may affect, either temporarily or permanently, the amount of business the business entity receives;

(5) Decide the location of a major development, entertainment facility, or other project that would increase or decrease the amount of business the entity draws from the location of the project; or

(6) Increase or decrease the tax burden, debt, or financial or legal liability of the business entity.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.